

Minutes of the Meeting held on Monday June 8, 2015

Present: Francis Murphy - Chair, James Monagle, Michael Gardner, Nadia Chamblin-Foster, Ellen Philbin, Attorney James Quirk and Chris Burns

Absent: John Shinkwin

The meeting was called to order at 5:07 pm. The meeting was digitally recorded.

Agenda Item #1 – Cambridge Bancorp

The Board reviewed a Cambridge Bancorp Investor Presentation and a press release regarding first quarter results. Denis Sheahan and Albert Rietheimer represented Cambridge Bancorp. Sheahan stated that he was elected as Chairman, President and CEO of Cambridge Bancorp in April, replacing Joseph Roller upon his retirement. Sheahan reviewed his experience, noting that he had worked in a number of community banks in Massachusetts. Rietheimer stated that the Cambridge Retirement System now owns between six and seven percent of the bank's shares, making the system the third largest shareholder.

Sheahan reviewed the operations of the firm. There are 12 banking branches in Massachusetts. In addition, the company has four wealth management offices, one in Boston and three in New Hampshire. The bank has \$1.1 billion in outstanding loans, and the wealth management division has \$2.3 billion in assets under management. The bank is focused on continuing to grow the wealth management division. The bank is also focused on growing the commercial loan portfolio, which now comprises 50% of the outstanding loans. The bank does not make loans outside of Massachusetts and New Hampshire and the vast majority of loans are made in Greater Boston.

Sheahan provided an overview of the wealth management division. This division has 46 employees. Cambridge Bancorp offers their own investment product, with all research performed in-house. They may also use outside mutual funds in order to provide diversification. The majority of assets are held in the bank's own product which consists of equity investments in between 45 to 60 stocks, across four different strategies.

Sheahan reviewed the composition of the loan portfolio. The majority of loans are residential and commercial real estate, with smaller amounts of commercial loans and home equity loans. The bank has generated significant growth, as outstanding loans have increased by 15% annually since 2009. The bank has achieved growth by both increasing the average size of loans and by attracting new clients. The bank does not buy loans originated by other institutions, but may sell some loans that it originates. The bank has sold more residential mortgages over the last several years in order to control interest rate risk. The bank has not felt the need to sell commercial loans, since they are generally of shorter duration at 5 to 10 years vs. 30 years for a residential mortgage.

Rietheimer described the bank's deposit assets. Again, the bank has seen steady growth in customer deposits. The cost of total deposits has fallen sharply since 2009, primarily due to the continuing low interest rate environment. Two-thirds of the firm's revenue is interest income, the difference between the interest paid to depositors and that charged to borrowers. The remaining third is non-interest income. This consists primarily of fee income from the wealth management division. The bank also makes money from interchange fees and fees charged to depositors.

Rietheimer reviewed the bank's underwriting process. He stated that the bank tended to be extremely conservative in their standards, and that it has resulted in a very low number of non-performing loans.

The firm has achieved steady growth in net income since 2009. Earnings per share were \$3.78 in 2014, with declared dividends of \$1.68 per share. The bank is on target to return \$1.80 per share in 2015. Cambridge currently holds 265,000 shares.

Riethimer described the Bank's current lease on their Harvard Square headquarters. The property is owned by Harvard University, but the bank recently signed a 32-year lease on the space. As part of this process, the bank opted to move their wealth management division to an office in Boston, and Harvard took back one floor of space.

Riethimer reviewed the decision to sell the bank's merchant services business in 2010. He noted the difficulty of competing with large credit card companies and the relatively small margin, equipment-intensive nature of the business. The bank also exited the credit card business in 2003 due to the fraud risk. The bank continues to issue branded credit cards, but they are serviced by another company. Sheahan also described some of the bank's security measures to prevent skimming at their ATMs.

Chamblin-Foster asked the representatives to describe their philanthropic activities. Sheahan noted that the bank's officers donate significant time to various charitable organizations, but does not divulge the amount of money they have donated.

Gardner asked if the wealth management business would be threatened by a shift toward more investment in index funds. Sheahan stated that he felt the bank's clients were interested in full-service investment services and that he foresaw that there was further room for growth in that area.

The Chairman stated that he felt that, due to the size of the Retirement System's investment, that the System should have a seat on the bank's board of directors. He stated that he was concerned that the bank has not met with the Retirement System in over five years, and felt that Cambridge would benefit from increased contact with the bank's management. Sheahan stated that he intended to make shareholder engagement a priority in his tenure as CEO, and that he would be happy to meet annually with the system, or more frequently if needed. Riethimer also offered to have quarterly earnings reports forwarded to the system. The Chairman stated that he hoped to discuss this internally with the other Board members. Gardner noted that he did not feel the bank had been delinquent in meeting with the Board, as the Board has never extended a request for a meeting as part of the annual manager reviews.

Sheahan stated that he hoped that one result of his focus on shareholder engagement would be to increase the liquidity of the bank's stock. He stated that within the last year, another shareholder, who held about 5% of the bank's outstanding stock, was able to sell their entire holding over a period of about three months. Sheahan stated that he was unable to divulge the name of the seller.

Riethimer stated that he attempted to review the history of how the shares came to be held by the retirement system. He stated that he believed that the shares were bequeathed to the City at some point in the 1930s. Monagle stated that he believed that the City transferred the shares to the Retirement system upon the establishment of the system, but he noted that he has never found documentation on the transfer of shares.

Agenda Item #2 - Minutes

Motion by Chamblin-Foster, seconded by Monagle to accept the regular minutes of the meeting held on May 11, 2015. Voted unanimously.

Motion by Chamblin-Foster, seconded by Monagle to accept the executive session minutes of the meetings held on May 11, 2015. Voted unanimously.

Agenda #3- Warrant

Motion by Chamblin-Foster, seconded by Monagle to accept payment of warrant #10 in the amount of \$ 5,787,053.02 and warrant #11 in the amount of \$ 288,963.73. Voted unanimously.

Agenda Item #4 – Superannuations

Motion by Gardner, seconded by Chamblin-Foster to accept the Superannuation retirement applications submitted by Elizabeth A. Cadigan, SVP Patient Care Services, Cambridge Health Alliance with nineteen years eleven months, Eric M. Derman, Patrol Officer, Cambridge Police

with thirty-seven years nine months, Sherman L. Holcombe, Working Foreman, Water Department with thirty-eight years, six months, Nancy P. Madeiros, Budget Analyst, School Department with twenty-six years ten months, Jane C. Maguire, Project Administrator, Community Development Department with forty-six years eleven months, Linda M. O'Connor, Paraprofessional, School Department, with twenty-three years nine months, Wanda Rivera, Kindergarten Aide, School Department with twenty-six years eight months, Melvin C. Schmid, Manager – Haitian Mental Health Program, Cambridge Health Alliance with twenty-six years eight months and Teresa A. Toppan, R.N. Cambridge Health Alliance with twenty-six years two months. Voted unanimously. The Director stated that Elizabeth Cadigan's benefit would not require any payments under the system's QEBA.

Agenda Item #5 –Make ups

The board reviewed make-up and redeposit worksheets for four members. Motion by Chamblin-Foster, seconded by Monagle to allow the make-up of contributions requested by Derrick J. Harris, two years, seven months (pro-rated), Innocent E. Lugumamu, one year (pro-rated, MWRA denies liability), Matthew P. Nelson, three months (pro-rated), Kenya E. Pavon, seven months (pro-rated)

Agenda Item #6 – Refund Applications

The board reviewed a list of refund applications submitted in May. Motion by Gardner, seconded by Monagle to accept thirteen refund applications. Voted unanimously.

The Chairman requested to adjourn the open meeting and go into executive session for the purpose of discussing disability retirement applications. The Chairman stated that the meeting would reconvene in open session at the conclusion of the executive session.

On a roll call, the vote was as follows:

Michael Gardner:	YES
Nadia Chamblin-Foster:	YES
James Monagle:	YES
Francis Murphy:	YES

Agenda Item #7 - Accidental Disability Benefit – Louis Neal

The board reviewed the certificates and narrative reports of three separate medical exams, the member's application, treating physician's statement and employer's statement pertaining to Mr. Neal's accidental disability application.

Motion by Gardner, seconded by Monagle to accept the majority findings of the medical panel and grant Accidental Disability benefits to Louis Neal, a Police Officer. Voted unanimously.

Agenda Item #8 – Disability Benefit – Thomas Doyle

The board reviewed the certificates and narrative reports of three separate medical exams, the member's application, treating physician's statement and employer's statement pertaining to Mr. Doyle's application for either ordinary or accidental disability benefits.

Motion by Monagle, seconded by Chamblin-Foster to accept the majority findings of the medical panel and grant Ordinary Disability benefits to Thomas Doyle, Workers' Compensation Claims Manager in the Personnel Department. Gardner stated that he would recuse himself from voting on the matter because he was Doyle's manager during some of the period in question. The motion carried on a 3-0 vote.

Motion by Monagle, seconded by Chamblin-Foster to deny Accidental Disability benefits to Thomas Doyle. The motion carried on a 3-0 vote with Gardner abstaining.

Agenda Item #9 – PERAC Memos

No PERAC memos were issued in May, and no action was taken by the Board.

Agenda Item #10 - Old Business

Quirk stated that he has drafted letters to the medical panels in the Poisson case and the Quinn case.

Monagle requested an update on suits brought by the portfolio monitoring firms. Quirk stated that one case is awaiting settlement. All litigation expenses have been paid by the firms. The Retirement System has not incurred any costs.

Agenda Item #11 - New Business

Not needed.

Agenda Item #12 - Executive Session

Agenda Item #7 - adopted

Agenda Item #8 - Ordinary disability benefit adopted / Accidental disability benefit denied

Agenda Item #13 - Chairman's Report

None offered.

Agenda Item #14 - Executive Director's Report

None offered.

- The following documents were also reviewed by the Board:
 - Notice of Retiree deaths.
- Correspondence from Attorney James H. Quirk re: Politano vs Board of Selectmen of Nahant and another.
- Correspondence from Attorney James H. Quirk re: Health Insurance Contribution Charlene Galenski vs. Town of Erving & Others.
- Correspondence from Attorney James H. Quirk re: CRB (ATP Tour, Inc. vs. Deutscher Tennis Bund, 91 A. 3rd 554 (Del. 2014).
- February Financials - General Ledger, Summary of Accounts, Trial Balance, Adjustments, Cash Disbursements, Cash Receipts, Wire Transfers.
- National Conference on PERS.
- Pyramis Global Advisors – Monthly Investment Reviews

Gardner moved to adjourn at 7:20 pm.